

Accounting for Tax and Revenue Anticipation Notes

Tax and revenue anticipation notes (TRANs) are short-term debt instruments of LEAs. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements.

Tax and revenue anticipation notes can mature in either the same fiscal year as issued or in the following fiscal year. *Tax and revenue anticipation notes are reported as a fund liability in the fund receiving the proceeds.*

Assume, for example, that the LEA issues a TRAN on July 1 with a maturity date of June 30 of the same fiscal year. The issue is for \$1,000,000 at 5 percent interest. The repayment schedule requires the LEA to make a 50 percent repayment of the principal in December. The balance of the principal, plus interest for the entire issue, is to be repaid in April. In this example, the administrative costs (\$8,500) are deducted from the note's proceeds at the time of issuance. If the General Fund received the proceeds, the following entries would be made in the General Fund:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
7-1-xx	Cash (9110)	\$991,500	
	Administrative expenditures (5800) (9530)	8,500	
	Temporary Loans		\$1,000,000
To record the receipt of the TRAN's proceeds and the associated administrative expenditure liability			
<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
12-31-xx	Temporary Loans (9530)	\$500,000	
	Cash (9110)		\$500,000
To record the repayment of 50 percent of the TRAN's principal			
<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
4-30-xx	Temporary Loans (9530)	\$500,000	
	Interest (5800)	50,000	
	Cash (9110)		\$550,000
To record the final repayment of the TRAN's principal plus interest			

The entries using the standardized account code structure (SACS) would be:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
7-1-xx	Cash		
	01-0000-0-0000-0000-9110-000	\$991,500	
	Administrative expenditures		
	01-0000-0-0000-9100-5800-0000	8,500	
	Temporary Loans		
	01-0000-0-0000-0000-9640-000		\$1,000,000
To record the receipt of the TRAN's proceeds and the associated administrative expenditure liability			
12-31-xx	Temporary Loans		
	01-0000-0-0000-0000-9640-000	\$500,000	
	Cash		
	01-0000-0-0000-0000-9110-000		\$500,000
To record the repayment of 50 percent of the TRAN's principal			
4-30-xx	Temporary Loans		
	01-0000-0-0000-0000-9640-000	\$500,000	
	Interest		
	01-0000-0-0000-9100-5800-000	50,000	
	Cash		
	01-0000-0-0000-0000-9110-000		\$550,000
To record the final repayment of the TRAN's principal plus interest			